

PRECIOUS PROJECT, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2021

(With Summarized Comparative Information for 2020)

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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PRECIOUS PROJECT, INC.
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(With Summarized Comparative Information for 2020)



Mission Statement

The mission of Precious Project is to offer high quality education and care to orphaned and vulnerable children in rural Tanzania. We partner with the local community to provide Primary School, Children's Home, Community Center and an organic farm, and improve agricultural development through sustainable environmental practices. Precious Project also supports women's empowerment groups that foster economic self-sufficiency.

PRECIOUS PROJECT, INC.
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2021
(With Summarized Comparative Information for 2020)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Precious Project, Inc.
Lincoln, Massachusetts

Opinion

We have audited the accompanying financial statements of Precious Project, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Precious Project, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Precious Project, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Precious Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors
Precious Project, Inc.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Precious Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Precious Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Precious Project, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 4, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
May 9, 2022

PRECIOUS PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<u>CURRENT ASSETS:</u>		
Cash, Without Donor Restrictions	\$ 168,624	\$ 290,689
Cash, Board Designated Operating Reserve	151,339	126,975
Cash, With Donor Restrictions	493,058	877,003
Contributions Receivable	30,200	40,250
Employee Retention Tax Credits Receivable	26,063	-
Grant Advances to Tanzanian Partner	128,297	36,486
Prepaid Expenses	<u>2,561</u>	<u>2,518</u>
Total Current Assets	<u>1,000,142</u>	<u>1,373,921</u>
<u>NON-CURRENT ASSETS:</u>		
Contributions Receivable, Non-Current	<u>48,470</u>	<u>71,970</u>
Total Non-Current Assets	<u>48,470</u>	<u>71,970</u>
<u>TOTAL ASSETS</u>	<u>\$ 1,048,612</u>	<u>\$ 1,445,891</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Accounts Payable and Accrued Expenses	\$ 1,679	\$ 1,334
Accrued Payroll and Related Costs	<u>7,834</u>	<u>9,786</u>
Total Current Liabilities	<u>9,513</u>	<u>11,120</u>
<u>NET ASSETS:</u>		
Net Assets Without Donor Restrictions:		
Undesignated Net Assets	316,032	318,573
Board Designated Operating Reserve	<u>151,339</u>	<u>126,975</u>
Total Net Assets Without Donor Restrictions	<u>467,371</u>	<u>445,548</u>
Net Assets With Donor Restrictions	<u>571,728</u>	<u>989,223</u>
Total Net Assets	<u>1,039,099</u>	<u>1,434,771</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 1,048,612</u>	<u>\$ 1,445,891</u>

PRECIOUS PROJECT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With Summarized Comparative Totals for 2020)

	<u>WITHOUT</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>WITH</u> <u>DONOR</u> <u>RESTRICTIONS</u>	<u>TOTAL ACTIVITIES</u> <u>2021</u>	<u>2020</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>				
<i>Support and Revenues:</i>				
Gifts, Grants and Contributions	\$ 333,867	\$ 846,933	\$ 1,180,800	\$ 1,351,610
Donated Goods and Services	38,724	-	38,724	105,300
Interest Income	899	-	899	5,642
Employee Retention Tax Credits	<u>26,063</u>	<u>-</u>	<u>26,063</u>	<u>-</u>
Total Support and Revenues	399,553	846,933	1,246,486	1,462,552
<i>Reclassification of Net Assets:</i>				
Net Assets Released from Restriction	<u>1,257,678</u>	<u>(1,257,678)</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>1,657,231</u>	<u>(410,745)</u>	<u>1,246,486</u>	<u>1,462,552</u>
<u>FUNCTIONAL EXPENSES AND LOSSES:</u>				
<i>Functional Expenses:</i>				
Program Services	1,437,380	-	1,437,380	1,133,667
Administrative	109,929	-	109,929	111,937
Fund Raising	<u>88,099</u>	<u>-</u>	<u>88,099</u>	<u>78,580</u>
Total Functional Expenses	1,635,408	-	1,635,408	1,324,184
<i>Losses:</i>				
Loss on Uncollected Pledges	<u>-</u>	<u>6,750</u>	<u>6,750</u>	<u>-</u>
<u>TOTAL FUNCTIONAL EXPENSES AND LOSSES</u>	<u>1,635,408</u>	<u>6,750</u>	<u>1,642,158</u>	<u>1,324,184</u>
<u>CHANGE IN NET ASSETS</u>	<u>21,823</u>	<u>(417,495)</u>	<u>(395,672)</u>	<u>138,368</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>445,548</u>	<u>989,223</u>	<u>1,434,771</u>	<u>1,296,403</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 467,371</u>	<u>\$ 571,728</u>	<u>\$ 1,039,099</u>	<u>\$ 1,434,771</u>

PRECIOUS PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

(With Summarized Comparative Totals for 2020)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2021</u>	<u>2020</u>
Grants to Tanzanian Partner	\$ 1,358,741	\$ -	\$ -	\$ 1,358,741	\$ 996,580
Salaries and Payroll Taxes	42,233	62,526	55,747	160,506	177,217
Employee Benefits	4,794	7,140	6,328	18,262	8,063
Professional Fees	29,650	24,008	16,295	69,953	90,577
Travel Costs	-	143	168	311	34,207
Office Supplies and Expenses	1,500	5,973	5,307	12,780	4,964
Printing and Postage	-	66	3,645	3,711	4,208
Dues, Fees and Subscriptions	-	9,390	-	9,390	7,133
Insurance	<u>462</u>	<u>683</u>	<u>609</u>	<u>1,754</u>	<u>1,235</u>
Total Functional Expenses	<u>\$ 1,437,380</u>	<u>\$ 109,929</u>	<u>\$ 88,099</u>	<u>\$ 1,635,408</u>	<u>\$ 1,324,184</u>

PRECIOUS PROJECT, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Change in Net Assets	\$ (395,672)	\$ 138,368
<i>Adjustments to Reconcile the Above to Net Cash Provided (Used) by Operating Activities:</i>		
<i>(Increase) Decrease in Current Assets:</i>		
Contributions Receivable	10,050	9,750
Employee Retention Tax Credits Receivable	(26,063)	-
Grant Advances to Tanzanian Partner	(91,811)	85,377
Prepaid Expenses	(43)	-
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	345	42
Accrued Payroll and Related Costs	(1,952)	9,786
<i>(Increase) Decrease in Non-Current Assets:</i>		
Contributions Receivable, Non-Current	<u>23,500</u>	<u>17,750</u>
Net Adjustment	<u>(85,974)</u>	<u>122,705</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>(481,646)</u>	<u>261,073</u>
<u>NET INCREASE (DECREASE) IN CASH BALANCES</u>	<u>(481,646)</u>	<u>261,073</u>
<u>CASH BALANCES - BEGINNING OF YEAR</u>	<u>1,294,667</u>	<u>1,033,594</u>
<u>CASH BALANCES - END OF YEAR</u>	<u>\$ 813,021</u>	<u>\$ 1,294,667</u>
<i>Cash Balances:</i>		
Cash, Without Donor Restrictions	\$ 168,624	\$ 290,689
Cash, Board Designated Operating Reserve	151,339	126,975
Cash, With Donor Restrictions	<u>493,058</u>	<u>877,003</u>
	<u>\$ 813,021</u>	<u>\$ 1,294,667</u>

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Summarized Comparative Information for 2020)

NOTE 1 ORGANIZATION AND AFFILIATION

Precious Project, Inc. (“Precious Project”, the “Project” or the “Organization”) was incorporated in July 2014 under Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code (“IRC”). The Organization has been classified as an organization which is not a private foundation under IRC Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes. The Organization is primarily supported by gifts, grants and contributions.

Tanzanian Affiliate:

Precious Project provides funding to Precious Orphans Children (“POCH”), a nonprofit organization based in Tanzania. POCH is closely affiliated with, but not controlled by, Precious Project and is responsible for its own filings in Tanzania; accordingly, the accounts of POCH are not included within these financial statements. Financial support is sent to Tanzania, via wire transfer, and is used to support the programs described in Note 2.

Oversight of Foreign Activities:

Together, the Board of Directors and Management of Precious Project have implemented a comprehensive monitoring policy for oversight of grants made to its Tanzanian Partner. The Organization has designed its monitoring plan to address two primary areas of focus, which have been identified as financial accountability and programmatic compliance. To achieve the highest standards of integrity, transparency and best practices, the following principles have been incorporated into the Organization’s ongoing monitoring activities:

Financial Oversight includes approval of the POCH annual budget, monthly accountings which include budget vs. actual, monthly wire transfers to coincide with approved budgeted expenditures, and monthly communications to monitor expenses and financial activities.

Programmatic Oversight involves monthly reporting on program activities from its Tanzanian Partner, frequent site visits to Tanzania, commitments from board members of Precious Project to make site visits at least once annually (much of which is contributed by the respective board members), representation on the governing body of POCH and involvement in the program design and implementation.

In 2020, several Board Members were able to visit the project in Tanzania during the months of January through March. However, travel bans were enforced for the remainder of the year due to the COVID-19 pandemic. To maintain oversight as best as possible from a mandated distance, the Organization funded the purchase of an increased high speed internet plan for POCH and was able to hold monthly Zoom meetings with POCH staff and directors. Remote communications have adequately substituted for in-person site visits to the best extent possible. Financial oversight has remained the same during the pandemic.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 2 PROGRAM SERVICES

Precious Project is helping to transform a rural, impoverished community in Tanzania by eliminating disparities in education, care of children and economic development. The Project's foundation is based on five pillars:

- Providing children access to quality education
- Caring for orphans and abandoned children
- Empowering women with skills to create micro-businesses
- Educating the next generation to participate in the digital economy
- Modeling and teaching agricultural best practices

Each project is focused on serving as a resource for the community and model for long-term self-sustainability.

Precious Primary School:

In October 2015, Precious Project completed construction of a primary school to address the educational challenges in the Tanzanian village of Nshupu. The Precious English Medium Primary School - the cornerstone of Precious Project - opened its doors in January 2016 and currently provides quality education for more than 400 children from six surrounding villages. Precious Primary School students begin as early as age 3 in the preschool (or "baby class") and matriculate through seventh grade. In 2021, Precious Primary School ranked #1 in the district, #9 in the region and #81 in Tanzania. To date, all Precious Primary School graduates have moved on to secondary school.

Precious Secondary School:

In 2018, Precious Project Board Members unanimously agreed to build a secondary school in order to further the education of Precious Primary School graduates. The decision was driven by the fact that there are no quality public secondary schools nearby, and even the Government-funded schools require a fee that many families cannot afford. A Precious Secondary School would offer continued high-quality education to Precious students with the aim to prepare them for college or university admission. In 2019 and 2020, capital funds were raised to secure land and build the secondary school. Twenty-one acres of land were purchased for the site of the secondary school, 12 acres of which was immediately cultivated into farmland to supply additional food for the primary school, home, and eventual secondary school. In 2021, construction of the secondary school was completed as planned, and the secondary school opened its doors in January 2022.

Precious Children's Home:

The Precious Children's Home provides a safe, nurturing and healthy environment for children at risk. Under Precious Project, the small "family" home has grown from nine to 29 residential children and moved in 2014 from a cramped, rented cement block to a beautiful permanent home. "Mamas", an affectionate name given to the women who watch over the children, provide daily loving care as well as cook, clean, and do the laundry. All the children's needs are provided for, including their education and health care.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 2 *(Continued)*

Women Empowerment:

Precious Project helps village women create and manage their own self-help groups. Groups comprise approximately 30 members. Each group creates a savings and loan program, has its own by-laws, and determines the terms and conditions of loans including the interest rate. Groups meet weekly to pool their savings, repay loans, and vote on who will receive a new round of loans. Members use their loans to start or expand micro-businesses, pay school tuition fees for their children, and to cover unanticipated expenses, such as food, medicine, or other needs. As loans are repaid and new loans are made, the accrued interest expands the amount of money available for future loans.

Technology for Education:

Precious Project seeks to leverage information and communications technology (“ICT”) to boost student learning and performance, bridge the education gap in Tanzania's primary education, and prepare its young citizens with the knowledge and skills to participate in the digital world economy. Precious' ICT project efforts are multifaceted to maximize the project's success and focuses on implementing technology that is easy and intuitive for children to use, not dependent on reliable electricity or the internet, and simple to maintain.

Sustainability:

Precious Project aims to model sustainability and self-sufficiency for its community and students. An organic farm produces nutritious foods such as bananas, avocados and a variety of vegetables for the Precious Home and the Precious Primary School. The sale of excess crops provides additional income to support the POCH projects. Precious Project has also installed water tanks to capture and filter rainwater and a biogas system. Additionally, Precious Project drilled a borehole for an artesian well, which augments the farm's rainwater collection while also supplying fresh water to the nearby public school and abutting neighbors. In 2018 and 2019, Precious Project installed solar panels which provide enough electricity to meet the needs of the school, home and other facilities on campus. The chicken coop now houses 300 chickens, whose meat and eggs feed the Precious community, provide fertilizer and an additional source of revenue. Precious Project continues to hold workshops for its staff, families and the greater community which cover a range of topics from women's health, to small business and entrepreneurship, to making sack gardens, to mental health, domestic and child abuse awareness trainings.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 3 *(Continued)*

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues and gains are recognized in the year in which they become due and expenses and losses are recognized in the year in which the liability is incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. These classifications are related to the existence or absence of donor-imposed restrictions as presented below:

Net Assets Without Donor Restrictions - consists of assets, public support and program revenues which are available and used for operations and programs. Net assets without donor restrictions represents the portion of net assets of the Organization that is not restricted by donor-imposed stipulations. Contributions are considered available for use unless specifically restricted by the donor. In addition, net assets within this classification includes funds which represent resources designated by the Board of Directors for specific purposes. As of December 31, 2021 and 2020, the Board of Directors designated funds for an operating reserve in the amount of \$151,339 and \$126,975, respectively.

Net Assets With Donor Restrictions - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and may include investment income earned on restricted funds. These net assets may also include resources which have a donor-imposed restriction which stipulates that a portion of the assets are to be maintained in perpetuity, but permits the Organization to expend part or all of the income derived from the donated assets.

The accompanying financial statements include certain 2020 comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class, and in the Statement of Functional Expenses, 2020 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Contributions Receivable:

Contributions Receivable reflects unconditional promises to give. Receivables are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. Promises to give with expected payment dates that extend beyond one year are discounted to their present value when such amounts are considered material.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 3 *(Continued)*

Management periodically reviews specific grants, commitments and agreements to determine if any balances are uncollectible. Management believes that all receivables are collectible; therefore, no allowance for doubtful amounts has been established. If balances due are determined to be uncollectible in subsequent periods, an allowance will be established at that time.

Prepaid Expenses:

In order to properly match expenses in the same accounting period as the associated revenue, the policy of the Organization is to defer expenses incurred during the fiscal year which are directly attributable to the following year's program. These amounts are reported as *Prepaid Expenses* in the accompanying Statements of Financial Position.

Gifts, Grants and Contributions:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Donations of stock are valued at their fair value on the date of donation. Precious Project, Inc. has a policy to liquidate securities upon receipt.

Conditional promises to give - that is, those with a measurable performance or other barrier and right of return - are not recognized until the conditions on which they depend have been met. When the conditions are met, the corresponding support is reported as contributions with donor restrictions.

Unconditional multi-year commitments are recognized in the year during which the initial commitment was made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions depending on the nature of the restriction until the restriction expires, at which time these amounts are reclassified to net assets without donor restrictions.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of donated goods and services which require a specialized skill and/or which would have otherwise been purchased by the Organization, are recognized on the Statement of Activities and are listed as expenses on the Statement of Functional Expenses.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 3 (Continued)

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated according to management's estimates about space and time usage. Expenses that are allocated based upon time and usage consist of *Salaries and Payroll Taxes* and *Employee Benefits*.

Supporting services are those related to operating and managing the Organization and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to the Organization's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, direct mail solicitation, indirect costs of fund raising events, distribution of materials and other similar projects related to the procurement of funds.

Grants to Tanzanian Partner:

During the years presented, Precious Project made grants to POCH to fund the projects and programs with fiscal and programmatic oversight as further detailed in Note 2. The Organization's policy is to record grants as an expense and corresponding obligation at the time an unconditional funding commitment is made. Conditional commitments are not recognized in the financial statements until measurable performance or other barriers have substantially been met. Precious Project provides funding to POCH to coincide with the timing of the expenditure of the underlying costs and in accordance with programmatic and capital budgets. At the end of each year presented, funds were wired at year end in advance of the related underlying expenditures, and are presented as *Grant Advances to Tanzanian Partner* in the accompanying Statements of Financial Position. When the related costs are subsequently incurred and reconciled to the budget, the corresponding expense for *Grants to Tanzanian Partner* is recognized.

Reclassifications:

Certain amounts in the prior year comparative information have been reclassified to conform to the current year presentation. Reclassifications made to the prior year information have no impact on total net assets or changes in net assets

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 4 CONTRIBUTIONS RECEIVABLE

The Organization's non-current contributions receivable are due as follows:

<u>Year Contributions</u> <u>to be Paid</u>	<u>Balance of</u> <u>Contributions Due as of</u> <u>December 31, 2021</u>
December 31, 2023	\$16,000
December 31, 2024	13,800
December 31, 2025	9,670
December 31, 2026	<u>9,000</u>
Total	<u>\$48,470</u>

NOTE 5 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of unexpended donor-designated grants and contributions with the following restrictions as of December 31, 2021 and 2020:

<u>Nature of Restriction</u>	<u>2021</u>	<u>2020</u>
Scholarships	\$125,370	\$144,250
Primary School Fund	11,700	15,000
Secondary School Fund	356,569	728,562
School Accelerator Fund	74,089	92,611
Home Fund	<u>4,000</u>	<u>8,800</u>
Total	<u>\$571,728</u>	<u>\$989,223</u>

Net assets released from donor restrictions by incurring expenses which satisfied the restricted purposes by occurrence of events specified by the donors during the years presented were as follows:

<u>Nature of Restriction</u>	<u>2021</u>	<u>2020</u>
Scholarships	\$ 49,880	\$ 53,110
Primary School Fund	3,300	25,150
Secondary School Fund	1,118,509	705,438
School Accelerator Fund	18,522	18,522
Home Fund	25,050	22,000
POCH Capital	6,805	5,000
ICT Project	1,940	5,158
Paycheck Protection Program	<u>33,672</u>	<u>35,760</u>
Total	<u>\$1,257,678</u>	<u>\$870,138</u>

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

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(With Summarized Comparative Information for 2020)

(Continued)

NOTE 6 DONATED GOODS AND SERVICES

Volunteers are an integral component of Precious Project. For the years presented, the Organization recognized the following in-kind contributions in the accompanying financial statements:

<u>Description</u>	<u>2021</u>	<u>2020</u>
Travel Expenses	\$ -	\$ 31,854
Professional Fees	34,229	70,121
Supplies	<u>4,495</u>	<u>3,325</u>
Total	<u>\$38,724</u>	<u>\$105,300</u>

NOTE 7 EMPLOYEE RETIREMENT PLAN

In March 2021, Precious Project, Inc. adopted a Savings Incentive Match Plan (SIMPLE-IRA). Under the plan, any employee who earned \$5,000 or more in the previous year may participate in a tax-deferred salary reduction retirement plan to which they may contribute up to \$13,500 annually, excluding “catch-up” provisions, to their retirement account, and the Organization is required to match any contribution up to 3% of each participant's salary (subject to statutory limitations on eligible earnings). For the year ended December 31, 2021, total employer contributions to the plan amounted to \$4,673.

NOTE 8 CONCENTRATION OF CREDIT RISKS

Cash Balances:

The Organization is subject to concentrations in credit risk relating to cash balances. For the years presented, the Organization's cash deposits are held primarily in one financial institution in checking and money market savings accounts. Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The Organization had \$530,739 and \$1,017,077 in excess of federally insured limits as of December 31, 2021 and 2020; however, the Organization has not experienced any losses on such accounts and Management considers credit risk on cash to be low.

Contributions Receivable:

For the years ended December 31, 2021 and 2020, 59% and 51%, respectively, of total *Contributions Receivable* are from two donors.

Major Donor:

For the years ended December 31, 2021 and 2020, one generous donor made contributions totaling \$657,216 and \$909,000, respectively, which represents 53% and 62%, respectively, of total support and revenues.

Foreign Operations:

The primary purpose of the Organization is to provide high quality education and care to orphaned and vulnerable children in rural Tanzania. Therefore, the majority of the Organization's activities are concentrated in this region. In addition, grants to its Tanzania Partner represents 83% and 75% of total expenses for the years ended December 31, 2021 and 2020, respectively.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

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(With Summarized Comparative Information for 2020)

(Continued)

NOTE 9 IMPACT OF COVID-19 AND CARES ACT FUNDING

Impact of COVID-19:

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of grants, contributions, revenue and other material adverse effects to the Organization's financial position, change in net assets and cash flows. The Organization is not able to estimate the length of severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves.

Fortunately, the pandemic did not impact program delivery in Tanzania. The primary school was briefly closed for a period of one month in May 2020 and programmatic costs during that time were shifted to cover adequate purchase of PPE for students and staff. All other projects ran as planned, including the home, farm, and secondary school construction. The Organization and POCH were able to keep all staff employed as planned. Budgeted spending was as expected and there have been no adverse impacts to program implementation to date.

Paycheck Protection Program:

Precious Project, Inc. received two loans from Santander Bank, N.A. through the Paycheck Protection Program ("PPP") established by the U.S. CARES Act. Precious Project has elected to account for the expected forgivable portion of this loan as a conditional grant commitment as permitted by the AICPA. Precious Project intends to apply for and receive full forgiveness of the loan, while any remaining balance would be repayable over a five-year term and subject to interest at the annual rate of 1%. The amount forgiven equals the amount incurred on qualifying costs (payroll, mortgage interest, rent utilities, as defined and subject to limitations) during the covered period. The amount forgiven is reduced if a) the Organization decreases its staffing levels during the covered period, or b) reduces salaries/wages during the covered period; however, those reductions are subject to certain exemptions. Precious Project expects to meet the requirements for loan forgiveness. Precious Project must prepare and submit a loan forgiveness application to the lender, which is then reviewed by both the bank and the Small Business Administration (SBA) and then approved.

The first loan, referred to as PPP-1, in the amount of \$35,760 was received on May 4, 2020. The second loan, referred to as PPP-2, in the amount of \$33,672, was received on January 29, 2021. The Organization has elected to use a 24-week covered period for each loan, which expired on October 19, 2020 and July 16, 2021 for PPP-1 and PPP-2, respectively. On March 22, 2021, the SBA approved full forgiveness of PPP-1, followed by full forgiveness of PPP-2 on October 5, 2021. As of December 31, 2021 and 2020, the Organization has incurred qualifying costs to satisfy the conditions for each of the PPP loans, which have been recognized as grant income in each respective year.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

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(With Summarized Comparative Information for 2020)

(Continued)

NOTE 9 (Continued)

Employee Retention Tax Credit:

The Employee Retention Credit was introduced by the U.S. CARES Act in 2020 and is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Employers, including tax-exempt organizations, are eligible for the credit if they operate a trade or business during calendar year 2020 or during the first three quarters of calendar year 2021, and experience either: (1) the full or partial suspension of the operation of their trade or business during any calendar quarter because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or (2) a significant decline in gross receipts.

Additional relief provisions were passed by the U.S. government, which extend and slightly expand the qualified wage caps on these credits through September 30, 2021. Based on these additional provisions, the tax credit for the calendar quarters January 1, 2021 through September 30, 2021, is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

As of December 31, 2021, the Organization met the qualifications necessary to receive \$26,063 under the Employee Retention Credit program. Therefore, this amount has been recognized and reported as *Employee Retention Tax Credits* revenue and as *Employee Retention Tax Credits Receivable* in the accompanying financial statements as of, and for the year ended, December 31, 2021.

NOTE 10 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash	\$813,021	\$1,294,667
Contributions Receivable	78,670	112,220
Employee Retention Tax Credits Receivable	<u>26,063</u>	<u>-</u>
Total Financial Assets as of December 31	917,754	1,406,887
Less amount not available to be used within one year:		
Contributions Receivable after one year	<u>(48,470)</u>	<u>(71,970)</u>
Financial assets available to meet general expenditures within one year	<u>\$869,284</u>	<u>\$1,334,917</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has a Board-Designated reserve that, while the Organization does not intend to spend these funds for purposes within the next year, these amounts could be made available for current operations, if necessary.

PRECIOUS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

(With Summarized Comparative Information for 2020)

(Continued)

NOTE 10 *(Continued)*

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to their ongoing activities as well as the conduct of the services undertaken to support those activities to be general expenditures.

NOTE 11 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through May 9, 2022, the date which the financial statements were available for issue, and noted the following events which met the criteria.

Employee Retention Tax Credit Updates:

On January 14, 2022, \$10,429 of the Employee Retention Tax Credit was received. On March 22, 2022 the remaining balance of the Employee Retention Tax Credit in the amount of \$15,634 was received by the Organization.